ARTICLE IN PRESS

Australasian Marketing Journal ■■ (2016) ■■–■■

Contents lists available at ScienceDirect

Australasian Marketing Journal

journal homepage: www.elsevier.com/locate/amj

New versus frequent donors: Exploring the behaviour of the most desirable donors

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ARTICLE INFO

Article history:
Received 16 September 2015
Revised 19 April 2016
Accepted 28 April 2016
Available online

Keywords:
Blood
Charity
Donation
Marketing
Loyalty metrics

ABSTRACT

While there is no shortage of worthy recipients for prosocial behaviour, there is a constant battle to attract and keep donors. This research examines both money and blood donor behaviour for two key groups, new donors, (to grow the donor base), and frequent donors (to secure current support streams). We draw on over 1.2 million records from a U.S. health related charity for a three-year timeframe; and records of all Australian blood donors (1.1 million) for a five-year timeframe. We show the law-like patterns that underpin brand growth in other markets also apply in the non-profit sector. The vast majority of new donors give just once or twice a year with few giving at higher frequency levels. The stability of donation churn across blood and money suggests a structural norm in behaviour over time rather than an outcome of marketing activity. We discuss implications for resource allocation and marketing strategies.

1. Introduction

Most non-profit organisations rely on the support of individuals, without which they would reduce their services to the community or cease to exist. The scale of support is illustrated by the $358 billion donated by individuals to charities in the United States (U.S.) in 2014, which equates to 2.1% of GDP; individuals provided 72% of income to the sector (Lilly Family School of Philanthropy, 2015). Well over half (68%) of all Americans donated money to charity in 2013, and the U.S. is ranked 9th in the world with a 5-year participation level of 62% (Charities Aid Foundation, 2014).

Australia, under the same definition has a similar donation rate, but participation rates increase when using a broader perspective of support. In 2004, 87% of adults reported donating $5.7 billion to organisations, with an additional $2 billion provided from raffle/lottery sales or participation in fundraising events, as well as the equivalent of $14.6 billion in volunteering hours (Lyons et al., 2006).

There are two basic ways for non-profits to increase revenue raised from individuals. The first is through increasing market penetration, defined as the proportion of the population providing support to a non-profit organisation. This definition of market penetration is adapted from the traditional definition of the proportion of the population who buy an item at least once in the timeframe studied (Ehrenberg et al., 2004). The other way to increase revenue is to get existing supporters to donate more frequently and the distribution of how often an individual donates can classify them as 'light' or 'heavy' based upon their frequency of support.

Consumer markets have been shown to comprise many 'light' individuals buying the brand once or twice in the timeframe studied and relatively few 'heavy' buyers. For instance, the U.S. brand Folger sells coffee and had an average annual purchase frequency of 3.2 times, with as many as half of the customer base purchasing just once and only 18% purchasing five or more times (Ehrenberg et al., 2004). Using frequency levels to identify 'light' buyers (once-only for coffee) and 'heavy' buyers (five plus times for coffee) shows the potential to increase sales.

This paper examines the frequency levels of non-profit supporters to increase understanding of the potential to increase support activities, specifically donating money or giving blood. Non-profit supporters not only vary their frequency of giving support but also vary in the amounts they contribute. Analysis of U.S. donations from over 980,000 online donors shows the correlation between an individual's frequency of support and their annual contribution. Over 985,000 individuals donated 1–4 times a year with a median yearly amount of $50 compared to 22,800 individuals donating 5–9 times and a median yearly amount of $245 (Myers et al., 2016). Hence, many non-profits focus on increasing loyalty in order to benefit from higher donations (O'Reilly et al., 2012).

However, research shows those giving once-a-year have a reduced level of responsiveness to requests for further support compared to supporters providing multiple-gifts each year (Shen and Tsai, 2010). For example, an excessive volume of detail sent about a charity

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http://dx.doi.org/10.1016/j.ausmj.2016.04.001
1441-3582/

can lead to a negative attitude to further giving, and risks donor support switching to another organisation (Bennett, 2009). These results suggest any additional marketing efforts to once-a-year donors will, at best, be wasted and at worst reduce their propensity to provide any further support.

Solicitation plays a major role in charitable behaviour (Bekkers and Wiepking, 2011). The fundraising sector is criticised for being too focused on wasteful acquisition, with even successful acquisition efforts plagued by the loss of half of the cash supporters between the first and second donation, double the annual attrition rates commonly shown for supporters regularly giving monthly donations (Sargeant and Shang, 2011).

Hence, two groups are of particular interest in donor research to determine resource allocation: new donors and frequent donors. The classification of 'frequent' or 'heavy' donors is determined by looking at the distribution of how frequently support is given, i.e. classification is relative and will vary across different types of support behaviour. We explore how many new donors become frequent donors, and how the proportion of frequent donors varies when overall donations increase or decrease. The second group, frequent donors, is of particular interest to non-profits due to the volume of support they provide. We examine the stability of frequent support behaviour, by drawing on two multi-year databases, one from a health related charity in the U.S., the second from the Red Cross Blood donation service in Australia.

This research focuses on longitudinal patterns in actual donor behaviour to examine cohort patterns over time, rather than cross-sectionally. It deals with two very different types of donor behaviour, the giving of blood and money. Drawing on knowledge from examining longitudinal buying behaviour for repeat purchase products provides a framework for analysis. This approach allows us to treat donor behaviour as a differentiated extension to prior knowledge, and understand the degree to which consumer behaviour towards non-profits differs from behaviour towards commercial organisations. Taking a differentiated extension approach advances marketing theory (Uncles and Wright, 2004).

The main contribution of this paper is to provide a different perspective to the relationship-view of marketing commonly applied to the non-profit sector to examine the role of loyalty in growing donor support. Building long-term relationships with donors is considered critical, with many non-profits capturing donor-level information to enable donor targeting and optimal allocation of organisational resources (Khodakarami et al., 2015). Non-profits seeking to start, continue or increase support behaviour will impose costs on the individual with benefits going to others (Andreasen, 2012). Differences from the commercial sector have led to the development of concepts considered unique to non-profit marketing (e.g. donor behaviour, volunteer behaviour) (Wymer, 2013). However, a relationship-view of marketing can distract from what is required to grow support, as the focus can be on increasing the loyalty of existing supporters at the expense of growing the supporter base. Achieving brand growth through marketing activities aiming to increase loyalty to a greater degree than growing the number of supporters would result in a different pattern of behaviour to other markets, i.e. Double Jeopardy would not be evident.

Double Jeopardy is a well-established pattern in consumer markets that helps to set realistic marketing strategies. The pattern was first noticed by sociologist William McPhee (1963) for radio presenters and comic strips, with less popular options suffering twice: fewer people knew of these less popular options and they provided reduced liking scores compared to the scores given for better known radio presenters or comic strips. The Double Jeopardy pattern also exists in competitive markets, as smaller brands show lower loyalty metrics and have fewer users than their larger brand counterparts (Ehrenberg et al., 1990). The Double Jeopardy pattern shows a large variation in the number of customers brands attract, but less variation is shown in their attitudinal or behavioural loyalty (Ehrenberg et al., 2004).

If non-profit categories were to show similar Double Jeopardy patterns, this knowledge would provide a firm foundation for non-profit marketers to make decisions. From this perspective, the path to growth should focus on increasing the supporter base, as bigger brands will be those with more supporters. Confirmation of the Double Jeopardy pattern will require a paradigm shift in thinking for many non-profit marketers, such as ignoring the common recommendation to focus on retention rather than the attraction of new supporters (Sargeant and Shang, 2011).

Other associated patterns have been found in consumer behaviour (Ehrenberg, 1988), transforming practice and increasing the credibility of the marketing function (Kennedy and McColl, 2012). Differentiated replications show law-like patterns exist in a wide range of markets and conditions (Ehrenberg et al., 2004), including aviation fuel contracts (Uncles and Ehrenberg, 1990) and gambling behaviour (Lam and Mizerski, 2009). For example, consumers loyal to one brand tend to be infrequent category buyers and comprise a small proportion of any brand's customer base, as they have limited opportunity to be disloyal (Ehrenberg, 1988; Sharp et al., 2002). Armed with such knowledge, brand managers would not favour customers buying only their brand over customers also buying from their competitors. Hence, being the second-choice brand in a supporter's portfolio is better than not receiving any support (Bennett, 2012). This suggests the normal practice is for most non-profits to share their supporters with other non-profit organisations. We propose law-like patterns shown in other markets will also apply to the non-profit context, i.e. the acquisition of new donors will be the most feasible pathway for brand growth.

2. Giving support

Non-profit marketers face many of the same marketing challenges as commercial marketers. To maintain income, new donors are required in order to replace the large number of donors lapsing each year. For example, only 43% of 2012 supporters made repeat gifts in 2013 (Association of Fundraising Professionals, 2014). This pattern occurs across the sector, as many first-time donors fail to give a second donation (Bennett, 2009). U.S. charity records demonstrate the importance of new donors. For every 100 donors gained in 2012–2013, there was a loss of 102 donors, and every $100 gained was offset by $92 in gift attrition (Association of Fundraising Professionals, 2014). Acquiring new donors is becoming more difficult generally, with declines in new supporter acquisition explaining the overall reduction in U.S. supporter populations (Rhine and Flannery, 2015). Re-activation of lapsed donors also offers low levels of success (Feng, 2014). Globally, the percentage of younger people donating money has declined since 2012 (Charities Aid Foundation, 2013), suggesting the challenge of acquiring and retaining new donors will be ongoing.

Securing a sustainable supply of blood products for medical procedures is an ongoing challenge, as advances in medical treatments and aging populations have increased the demand for blood products (Bagot et al., 2015b; van Dongen et al., 2014). The incidence rate of voluntary donation remains low across populations, 3% in Australia, 5% in the US, and 4% on average in the EU (Australian Red Cross, 2012; Bertalli et al., 2011; Gonçalves, 2011). Blood donors comprise a unique and interesting group of volunteers, as they display a high degree of commitment to recipients they do not know (Kessler, 1975). Blood donors might conceivably be more responsive to requests to donate with greater frequency, enabling blood agencies to retain very frequent donors with more success than in other markets. If donors commit to greater frequency of donation, it suggests a different route to growth from other markets, i.e. growth by loyalty rather than also needing to increase market penetration.

Please cite this article in press as: Margaret Faulkner, Jenni Romaniuk, Philip Stern, New versus frequent donors: Exploring the behaviour of the most desirable donors, Australasian Marketing Journal (2016), doi: 10.1016/j.ausmj.2016.04.001